

Compumedics confirms sustainable profitability with contract win and continued eHealth growth forecast

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Compumedics' neurology diagnostics product.

One of Australia's leading medical device companies, [Compumedics](#) (ASX: CMP), announced this week, record sales orders of A\$18.5 million for first half year having secured its largest system contract in the company's history worth A\$4.93 million.

The contract, which will see Compumedics' supplying its magnetoencephalography (MEG) imaging system to the world-renowned Barrow Neurological Institute (BNI) in the second half of 2018, has opened up a pathway to the multi-billion dollar brain imaging market for Compumedics.

Compumedics' sustainable profitability comes off the back of the company receiving sales orders worth A\$6.5 million within the half year that were yet to be shipped and invoiced, thus guaranteeing income for the second half of 2018.

These secured, yet to be shipped sales orders, are a A\$3.5 million increase on the A\$3.0 million that were recorded at 31 December 2016. Also of noted is that with the improving US economy, Compumedics' US Division has added A\$1.5 million to EBITDA.

An analysis of the current climate for medical technology and devices, on a global and divisional scale, has seen Compumedics make changes to the product composition (new low cost Graef devices) and selective outsourcing of production.

These, along with other efficiency gains, are expected to improve the company's current cost structure and gain traction on improving economies of scale.

Dr David Burton, Executive Chairman and CEO with skin in the game as a 55% shareholder, is also highly focused on Compumedics' rapidly developing eHealth Division.

Dr Burton said that Compumedics expects, "long-term revenue growth with the commercialisation of the company's consumer sleep device, Somfit, and the continued rollout of its professional cloud-based sleep diagnostic platform, Nexus 360."

It is anticipated that the first commercial transaction for Somfit is expected in H1, FY19 with Somfit in the market by calendar year end 2018.

Compumedics expects to gain further market share, especially in the US, with this sustainable revenue growth and its selective product and efficiency improvements.

If Compumedics can continue to grow its revenue base with these significant business improvements, then growth of profit beyond the current gross product margin of 55% could be significant.

<https://smallcaps.com.au/compumedics-contract-win-ehealth-growth-forecast/>